



**EMPLOYEES  
RETIREMENT  
SYSTEM OF TEXAS**

SHEILA W. BECKETT  
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BOARD OF TRUSTEES

December 18, 2003



Mr. Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549-0609

Reference: File No. S7-19-03

Dear Mr. Katz:

The Employees Retirement System of Texas is a \$19 billion public pension fund. We are responding to proposed rules on *Security Holder Director Nominations*.

The recent corporate scandals have demonstrated the need for better director accountability and alignment with shareholder interests. We appreciate the Commission's efforts to provide a means to help ensure directors are making objective decisions on behalf of the shareholders and that directors are held accountable for their actions.

However, one concern we struggle with is the unintended consequences of opening up the proxy. In particular, we are concerned that special interest groups may gain power and possibly influence corporate decisions that benefit them at the expense of creating long-term shareholder value. It is this issue that causes us to support limits on access through reasonable triggering mechanisms.

In light of past events, the proposed rules appear to be one solution to address the apparent misalignment of director accountability to shareholders. In general, we continue to feel that improved disclosure and transparency, whether it relates to a specific corporate transaction or the nomination process, will improve the accountability of both directors and management. We do not want the board of directors making decisions to satisfy a narrow interest group whether it is management or some other party.

Thank you again for taking steps to ensure our markets continue to set the standard for global markets.

Sincerely,

SHEILA W. BECKETT  
Executive Director